(15) GTE shall provide MCI with magnetic tapes of its directory assistance databases, with daily updates. GTE shall continue to provide them until GTE can install electronic gateways that will allow MCI to gain access to the databases. The efficient incremental costs that GTE incurs to prepare and deliver the tapes and the subsequent costs to develop electronic gateways may be charged to the benefiting CLECs on a competitively neutral basis.

As part of meeting its database access requirements and to the extent that it is legally permitted to do so, GTE shall provide to MCI the data that is necessary to permit MCI to populate its own directory database with information that is necessary to permit MCI to provide the same level of directory assistance services that GTE provides. The tapes and access to be provided by GTE shall include data from all LECs whose data is included in GTE's databases.

(16) GTE shall implement interim number portability ("INP") through Remote Call Forwarding and Direct Inward Dialing as required by the FCC's Interim Number Portability Order.

(17) GTE shall implement dialing parity by August 8, 1997. The Commission shall review GTE's implementation plan in a subsequent proceeding.

(18) GTE must provide MCI with nondiscriminatory access to its operations support systems ("OSS"). Pending the development of full electronic on-line access capability, GTE will provide such interim access as is technically feasible. GTE shall be compensated for its efficient incremental costs in providing interim access. It shall charge the costs in a competitively-neutral manner to the CLECs who participate in gaining such access. GTE shall also work with MCI to develop other mutually agreeable interim measures between now and the filing of the interconnection agreement. GTE shall also work diligently and promptly to prepare and implement a schedule for implementing full-scope electronic access to its operations support systems. GTE shall file, on or before April 1, 1997, a detailed schedule for implementing such electronic access. That schedule shall require the complete implementation of full-scale, fully electronic access on or before May 1, 1998, unless the schedule that is to be filed on or before April 1, 1997, proposes a later date and presents adequate justification of the infeasibility of completing implementation before the later date proposed. In the event that any CLEC shows that GTE proposes a longer schedule for implementation in Virginia than it proposes for any other state, GTE shall also be required to show cause why it cannot meet a

similar schedule in Virginia. Electronic access shall not be considered complete if it requires any greater level of human intervention than is required for GTE's own access. Electronic access shall not be considered complete unless it includes pre-ordering, ordering, provisioning, maintenance and repair, and billing.

(19) GTE has access to OSS, and providing OSS access to CLECs will benefit CLECs. Therefore, GTE shall be able to recover from CLECs its efficiently incurred costs of developing and implementing measures that provide CLECs with OSS access. Because the nonrecurring costs of developing access measures may be substantial, it is reasonable to impose an amortization period that does not exceed four years in length, provided that GTE is assured of full recovery of all such efficiently incurred costs in a manner that reflects the time value of money. Inasmuch as GTE will be assured of being made whole, it is reasonable to permit the petitioning CLECs to propose cost sharing mechanisms that meet the criteria that we have established to assure GTE recovery over a limited period of time. Therefore, the petitioning CLECs who seek OSS access shall propose a mutually-agreeable approach for providing such recovery, and GTE may comment upon any such proposed approach. GTE shall not be

required to make expenditures to develop access measures (except for the preparation of the required schedule noted above) until a CLEC-recovery method is proposed and accepted by this Commission. If there is no agreement among the CLECs, the Commission will order a recovery method at the request of any CLEC, after an opportunity for GTE and other CLECs to respond. CLECs who gain access through the permanent measures to be implemented must also compensate GTE for the efficiently incurred recurring costs of implementing those measures. Such compensation shall be on a reasonably accurate and efficiently-implementable usage basis that the parties may propose or that the Commission may order. If an effective usage-based billing system is not identified, each participating CLEC shall share the monthly cost of such implementation in proportion to its share of total GTE revenues for the month from all participating CLECs for operations in Virginia under interconnection agreements.

(20) If the parties cannot agree on contract language, each party shall present a draft of its proposed contract language to the Commission. The Commission then will determine the appropriate language, which may be different from the language proposed by either party. The parties shall file the

interconnection agreement within 60 days from the date of this order, as set forth in Paragraph 30 of this order.

(21) GTE shall not be required to accept MCI's revenue loss indemnification proposal or any other performance-related credits or penalties beyond those already set forth in GTE's retail service tariffs in Virginia. GTE may not at this time limit its liability or the recovery of damages, as compared with what the law of the Commonwealth would provide in the absence of explicit contract language. The parties may propose and address the costs and revenue levels involved with such clauses in the forthcoming pricing proceeding.

(22) GTE shall provide services to MCI at the same level of performance that GTE provides to itself. GTE shall offer premium service to MCI if MCI requests it and compensates GTE for the incremental cost of providing the premium service. GTE shall provide reports to MCI on all material measures of service parity. MCI may request a report on all measures that are reasonably related to establishing the parity level and whether MCI is receiving services at parity. CLECs shall bear the incremental costs, allocated on a competitively-neutral basis, of providing any reports that GTE does not provide for internal use or is not obligated to provide for regulatory purposes. MCI

shall have the right, at its expense, to conduct reasonable audits or other verifications of the information provided by GTE.

(23) The interconnection agreement shall be in effect for a term of two years. At least 90 days before the term expires, MCI shall file with the Commission any request for an extension of that term, and shall on the same day provide notice to GTE. At least 60 days before the term expires, GTE shall respond to the requested extension. If a new agreement has not been reached by the end of the two year term, the existing interconnection agreement shall continue, under the same terms and conditions subject to a true-up, until resolved by the Commission.

(24) Either party may make a bona fide request regarding the availability and price for new interconnections or network elements, new technical or operations issues, or materially changed circumstances. The other party shall respond to a bona fide request within 30 days after receipt of the request. Any dispute arising from a bona fide request, or interpretation of the interconnection agreement, may be addressed in accordance with the Commission's Procedural Rules for Implementing §§ 251 and 252 of the Telecommunications Act of 1996 and the Commission's Rules of Practice and Procedure. MCI and GTE shall file with the Commission any negotiated material modification or

addition to the Interconnection Agreement within 30 days after reaching agreement on the modification or addition.

(25) MCI's request for a "most favored nation" clause in the interconnection agreement is denied. MCI retains all rights specified in Section 252(i) of the Act.

(26) The Act does not require reciprocal obligations for unbundling and resale to be imposed on MCI. Therefore, the Commission rejects GTE's request for mutuality and reciprocity.

(27) A GTE tariff filing will not supersede the interconnection agreement, unless the filing expressly provides otherwise and MCI is provided with notice at the time of filing.

(28) GTE shall allow as-is switches where customers request them. GTE may not require written customer authorization for the release of customer proprietary network information as part of a change in service to MCI, provided that MCI has provided GTE with a blanket letter of authorization and a binding commitment to indemnify GTE against any customer claims.

(29) GTE shall provide MCI with information necessary for MCI to bill its customers. MCI shall pay GTE's efficient recurring and nonrecurring incremental costs for providing the information. Each CLEC that benefits from such information shall bear a portion of GTE's costs, allocated on a competitively

neutral basis. MCI shall have the right, at its expense, to conduct reasonable audits or other verifications of the information provided by GTE.

(30) MCI and GTE shall submit an interconnection agreement in this docket incorporating the applicable findings of the Commission as well as the parties' Stipulation in this case within sixty (60) days of entry of this order. The interconnection agreement shall be submitted in accordance with Paragraph 20 of this order, § 252(e) of the Act, and Section C(7) of the Commission's Procedural Rules for Implementing Sections 251 and 252 of the Telecommunications Act of 1996, as adopted in Case No. PUC960059.

(31) This matter is continued generally.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to: Warner F. Brundage, Jr., Esquire, Bell Atlantic-Virginia, 600 East Main Street, P.O. Box 27241, Richmond, Virginia 23261; Wilma R. McCarey, AT&T Communications of Virginia, Inc., 3033 Chainbridge Road, Room 3-D, Oakton, Virginia 22185; Edward L. Petrini, Senior Assistant Attorney General, Division of Consumer Counsel, 900 East Main Street, Second Floor, Richmond, Virginia 23219; Paul Hlavac, 7 Ashbury Lane, Barrington, Illinois 60010; Roger Heflin, MCI Communications of

Virginia, Inc., 1001 East Broad Street, Suite 430, Richmond, Virginia 23219; Alexander F. Skirpan, Esquire, and John D. Sharer, Esquire, Christian & Barton, L.L.P., 909 East Main Street, 1200 Mutual Building, Richmond, Virginia 23219-3095; Anne F. LaLena, MFS Intelenet of Virginia, Inc., 8100 Boone Boulevard, Suite 500, Vienna, Virginia 22182; Robin F. Cohn, Esquire, Swidler & Berlin, 3000 K Street, N.W., Suite 300, Washington, D.C. 20007; Paul Kouroupas, Esquire, TCG, Two Teleport Drive, Staten Island, New York 10311; Tina Pidgeon, Esquire, Drinker, Biddle & Reath, 901 Fifteenth Street, N.W., Suite 900, Washington, D.C. 20005; Sarah Hopkins Finley, Esquire, Williams, Mullen, Christian & Dobbins, P.C., P.O. Box 1320, Richmond, Virginia 23210-1320; John Antonuk, 790 Pine Tree Road, Hummelstown, Pennsylvania 17036; Eric M. Page, Esquire, LeClair Ryan, 4201 Dominion Boulevard, Suite 200, Glen Allen, Virginia 23060; Richard D. Gary, Esquire, Hunton & Williams, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; Tom Krafcik, Liberty Consulting Group, 77 Southfield Drive, Belle Mead, New Jersey 08502; Carl Huppert, 250 West Pratt Street, Suite 2201, Baltimore, Maryland 21201; John C. Dodge, Esquire, Jones Telecommunications, Inc., 1919 Pennsylvania Avenue, N.W., Washington, D.C. 20006-3548; Christopher D. Moore,

Esquire, Sprint Communications Company, 1850 M Street, N. W., Suite 1110, Washington, D.C. 20036; William L. Hanchey, Virginia Cable Television Association, 300 West Franklin Street, Richmond, Virginia 23220; Prince Jenkins, Esquire, MCI Telecommunications Corp., 1133 19th Street, N.W., Washington, D.C. 20036; and the Commission's Office of General Counsel and Communications Division.

A True Copy
Teste: William J. Bridge
Clerk of the
State Corporation Commission

C

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NICHOLAS SCALERA
OF COUNSEL

December 19, 1996

James A. Nappi, Esq.
Secretary of the Board of Public Utilities
2 Gateway Center
Newark, New Jersey 07102

RE: MCI v. Bell Atlantic – Arbitration

Dear Mr. Nappi:

Enclosed is the 43 page report on the MCI v. BA case, including the awards I am masking. As you indicated at the meeting held on November 19, 1996, I am not sending it in by November 18, 1996 for the reasons that it was not in the form that the Board's procedures call for. I trust that the Board and the parties can understand the enclosed award. If not, you or the parties should contact me immediately.

Unless I am advised otherwise, I will purge my file of the petition and transcripts herein. Please advise me within five (5) business days if you have any objection.

Very truly yours,

Nicholas Scalera

NICHOLAS SCALERA

NS:cyh
Enclosure
cc: Alan Freifield, Esq.
Anne S. Babineau, Esq.
James Murphy, Project Director
Liberty Consulting Services
Division of Ratepayer Advocate

AWARD AND OPINION OF ARBITRATOR TO BOARD OF PUBLIC UTILITIES

MCI Telecommunications Corporation (MCI) was represented by Allen M. Friefeld, Esq., James H. Laskey, Esq., and Mitchell Billand, Esq. Bell Atlantic of New Jersey (BA) was represented by Anne S. Babineau, Esq., Randall Milch, Esq., Hesser G. McBride, Esq., Frederick J. Dennehy, Esq , and Marvin J. Brauth, Esq.

Issues, according to the MCI petition and BA response, were many and complex. A week long hearing was conducted, according to the Board's procedures, with James Murphy, Rocco Della Serra (who variously attended all hearings) and Mark D. Fowler of Liberty Consulting Group (Fowler), acting as technical advisors for the arbitrator. Each party was allowed a full opportunity to present their witnesses and exhibits.

The witnesses for MCI were David Agoston, Dr. Nina Cornell, Mark De Falco, David Crew, Michael Starkey and Robert Mercer. For BA, the witnesses were Donald Albert (who was recalled towards the end), Edwin Hall, Dr. William Taylor, Joseph Weber, Gary Smyke and Harold West.

According to their original submissions, only thirty-four (34) issues remained to be decided by the arbitrator, numbered identically. However, those issues were reduced by five or so, because of the agreement of the parties. (I assume that the parties will submit to the Board an agreement that will reflect that.)

After consulting with the Technical Advisors and due deliberations, I am making the following awards as to the present issues listed by the parties:

ISSUE 1 - POINTS OF INTERCONNECTION

An Interconnection Point (IP) is the place where a call is transferred from one carrier to another.

The position of MCI was that this issue boiled down to "interconnection at telco closets" because BA had agreed that it is "generally technically feasible" to connect them there. BA's position is that this is a "non-issue" and they are willing to do the same thing for MCI as they have done with ETC.

The Act requires the ILEC to make interconnection available to any technically feasible point.[1] The FCC provided its interpretation of "technically feasible" in the Interconnection Order.[2]

BA has not made the general claim that interconnection at telco closets is technically feasible. MCI has acknowledged that there may be situations in which interconnection at a telco closet is, in fact, technically feasible. Telco closets are not one of the points of interconnection specified in the FCC's Order, but the FCC recognized that states may need to designate additional points of interconnection.

The Act requires the ILEC to make interconnection available to any technically feasible point.[3] The FCC provided its interpretation of "technically feasible" in the Interconnection Order.[4]

1 Telecommunication Act of 1996, § 251 © (2).

2 FCC Interconnection Order, ¶ 198.

3 Telecommunication Act of 1996, § 251 © (2)

4 FCC Interconnection Order, ¶ 198.

AWARD

I hereby order interconnection agreements at telco closets and make them generally available, subject to technical feasibility, (under the same conditions and circumstances, as the ETC agreements with BA. In this way, at least, it will be uniform.)

ISSUE 2 - INTERCONNECTIONS BETWEEN COLLOCATORS

The issue is resolved between the parties and there is no need for the arbitrator to make an award.

ISSUE 3 - RECIPROCAL COMPENSATION FOR TERMINATION OF LOCAL TRAFFIC

At issue for arbitration are the terms for compensating carriers for the transport and termination of each other's traffic. *Transport* is the transmission of traffic from the interconnection point between two carriers to the terminating carrier's end office switch or equivalent facility. *Termination* is the switching of traffic at the terminating carrier's end office or equivalent facility and the delivery of such traffic to the called party's premises.[5]

MCI's position is that symmetrical rates should be in effect and that BA should charge MCI $.0009 per minute for tandem switching, $.0019 per minute for end office switching and $.00063 per minute for transport. BA's position is that, identically, MCI should be charged symmetrically, but suggests rates of a tandem rate of $.005 per minute, a rate of $.003 per minute for end office termination of local calls which should be charged to BA by MCI, and that these should be interim rates, until BA can get together costs under the FCC Total Element Long Run Incremental Costs (TELRIC).

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5 Interconnection Order at ¶ 1039.

As the networks are envisioned to operate, calls will be handed off from one carrier to another. This will require that carriers establish compensation agreements for the delivery of traffic, or that the carriers agree not to bill each other as long as mutual traffic is reasonably balanced.

In order to understand the issue, it is necessary to have some understanding of the network elements involved and the differences in the system architecture of the two parties. There are three elements involved in this issue. The first is the local (end office) switch, which is connected to subscriber lines. The second element is the tandem switch, which also performs switching functions but does not terminate subscriber lines. Essentially, it switches traffic between switches. The third element is transport, which is the transmission of traffic between end offices and the tandem.

The two parties have different facilities to deliver traffic. Under the most likely scenario, MCI will hand off traffic to BA at BA's tandem switch. BA will deliver this traffic using a tandem transport to end office, and the end office switch. MCI will also have the option of delivering traffic to one of BA's end-off switches. BA will delivery traffic to MCI at MCI's with which can perform both tandem and local switching functions.

The Telecommunications Act of 1996 gave carriers the duty to "establish reciprocal compensation arrangements for the transport and termination of telecommunications."[6] The FCC's Order allows for termination to be priced by bill and keep, interim proxy rates, or prices derived on the basis of forward-looking economic costs.[7]

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6 Telecommunications Act of 1996, § 251 (b) (5).

7 47 C.F.R. § 51.705.

Neither interconnecting carrier bills the other for termination under bill and keep. The FCC's Order allows this approach when net traffic between the two is balanced and when the costs of the competitor is symmetrical (which the FCC essentially defines as no higher than the incumbent's cost) with that of the incumbent.[8] Arbitration proceedings can begin from the presumption that traffic is and will stay balanced, unless a party proves otherwise.[9]

The FCC established default proxy prices for termination at end-office and at tandem switches. For end-office termination it set a range is $0.002 to $0.004 per minute of use. Of the studies that the FCC examined, it placed the most credibility on those whose costs fell at the lower end of this range. The FCC set a fixed ceiling rather than a range for termination at tandem switches. That ceiling is $0.0015 per minute of use.[10] These two proxies must be added in the case when the termination service includes both tandem and end-office switches. The proxy range for this kind of termination service is therefore $0.0035 to $0.0055. The FCC recognized the situation in which switches may perform both tandem and end-office functions.[11] MCI proposed rates that were determined by the Hatfield model.

If MCI delivered to BA's end office, then it would pay the $.0019 per minute rate. If MCI delivered to BA's tandem, then it would pay the sum of all three rates, or $0.00343 per minute. MCI proposes that if BA delivers traffic to MCI's switch, BA would pay the sum of the three rates. BA requests that interim rates be set for switching and transport on the basis of the FCC's

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8 Interconnection Order at ¶ 1089.

9 Interconnection Order at ¶ 1113.

10 Interconnection Order at ¶ 824.

11 Interconnection Order ¶ 1090

proxy rates.

The tandem termination rates includes end-office and tandem switching as well as transport. These are the proposed rates that would be paid by MCI to terminate a call at a BA switch. BA's rates for calls terminated by MCI would be a blended rate between $0.003 and $0.005 per minute of use. The exact rate would be determined on the basis of the average rate paid to MCI by BA during the previous calender quarter for termination of local calls

AWARD

Because of the emphasis the FCC has put on TELRIC, I am ordering that the rates be set on only an interim basis. The rates will be $.003 for end office switching and $.005 for tandem switching which includes tandem switching, transport and end office switching components. (This is the rate that MCI would pay, depending on where MCI terminates the traffic. See ¶ 824 of FCC Order.) BA should pay MCI the tandem termination rate, including the transportation rate for the term of its traffic at an MCI switch.

ISSUE 4 - TANDEM TRANSIT

The Arbitrator agrees that the rates for this, should be the same as reflected in Issue No. 3.

ISSUE 5 - CARRIER ACCESS CHARGES

Interexchange carriers pay access charges for routing long distance calls through the local exchange carrier's network. At issue for arbitration is establishment of access charges for interconnection with BA's local exchange network.

MCI takes the position that the Board must reform access charges. BA's position is that interstate access rates are not an issue in this proceeding and if access rates are reduced, it would jeopardize universal service. BA also points out that the FCC is undertaking a review of

interstate access rates along with universal service.

Access charges generate a contribution that is applied to the subsidization of basic phone rates. The FCC's Interconnection Order notes that access charge reform will be dealt with separately along with universal service.[12] The FCC also distinguished interstate access charges and intrastate local service in other parts of its Order.[13] It is clear that the FCC did not intend for these local exchange arbitration proceedings to consider generally the complex issues that are associated with access charges and universal service.

AWARD

The arbitrator finds that the issue of carrier access charges are not to be considered in this proceeding.

ISSUE 6 - NETWORK ELEMENTS TO BE UNBUNDLED/BONA FIDE REQUEST PROCESS

At issue for arbitration are the terms of the process to be used in addressing requests by MCI for access to unbundled elements in the future.

MCI's position is that once a formal request is made, that BA have ten (10) days to respond that it is either technically unfeasible to fulfill or agree with it. The Board would then rule on it "expeditiously". BA's position is that ten (10) days is an unreasonable length of time and they should respond initially within thirty (30) days.

After BA and MCI implement their interconnection agreement, there will probably be interest in methods of interconnection or unbundled elements other than those addressed in the

12 Interconnection Order, ¶ 8.

13 Interconnection Order, ¶ 984.

agreement. Additional technical questions are also likely to arise, or matters that have been considered will come to be subject to changed circumstances. There is merit in providing for an efficient and timely means for resolving future differences between the parties.

Neither the Act nor the FCC's Order specifically address the issue to be decided here. However, it is clear that the FCC contemplated that states would make determinations in such matters. The arbitrator has little basis for making a decision here other than the descriptions of the process contemplated by the parties. Regarding the time frame for responding to an initial request, the arbitrator believes that both parties may have somewhat overstated their positions.

AWARD

The Arbitrator thinks that thirty (30) days is too long for BA to provide an initial response and ten (10) days is too short. Accordingly, I order a period of twenty (20) days to provide an initial response.

ISSUE 7 - ADDITIONAL UNBUNDLED ELEMENTS.

MCI requested that BA provide three previously unspecified, unbundled network elements:

(a) Dark Fiber;

(b) Subloop/Unbundling; and

© AIN (Advanced Intelligent Network)

Network elements are parts of the telecommunications network. The Act specifically identified a number of network elements that are required to be unbundled. These elements are local loops, local and tandem switches, interoffice transmission facilities, network interface devices, signaling and call related database facilities, operations support systems functions, and

operator and directory assistance facilities. The FCC Order allows state commissions to add to this list. MCI is requesting that the arbitrator use this authority to unbundle dark fiber and loop distribution.

The subloop unbundling issue deals with MCI's request to unbundle the portion of the loop from the feeder distribution interface *(FDI)* or SAC box to the customer premise. The FDI is the location where the larger capacity feeder cable is broken up into distribution loops. MCI wants to connect certain of its existing fiber cables directly to the FDI where it would then interconnect with BA's facilities for termination at the customer premises. MCI would then be able to avoid paying for loop feeder that it already has in place. In some cases the loop runs from the central office directly to the customer, with no cross-connect, such as an FDI. This is called the "home run" configuration. In other cases, the loop is made up of a feeder that runs to the FDI, at which point the loop continues to the customer premises.

Section 251 © (3) of the Act addresses the duties of the ILEC with respect to unbundled access. Paragraph 27 of the Interconnection Order expands on the Act and includes the authority of state commissions to expand the list of unbundled elements. Paragraph 246 discusses the potential need to add to the list of elements in the fast changing telecommunication environment. Paragraphs 260 and 312 expand on the definition of a network element. Paragraph 450 specifically addresses dark fiber.

MCI would probably benefit from being able to use BA's dark fiber. If MCI could do so, its cost would likely be reduced, and it might have the facilities available to it sooner than if it were required to build them.

If MCI leased dark fiber from BA, however, it is not clear that this would actually contribute toward MCI's becoming a "facilities-based" provider. In using BA's dark fiber, MCI would not be bringing new, independent facilities into the marketplace. Rather, it would simply be taking temporary control of part of BA's existing (although currently unused) facilities.

MCI has alternatives to using BA's dark fiber. MCI can lease BA's working transmission facilities as unbundled network elements to serve MCI's customers. The same transmission facilities currently being used by BA are thus available to MCI as well. In this sense, MCI is essentially requesting that one particular type of an existing unbundled network element—in this case, fiber optic transmission facilities—be further unbundled into the two component parts of fiber cable and electronics. If dark fiber were not made available to MCI as an unbundled element, MCI's ability to provide telecommunications service would not be impaired except in the limited sense that it would have to lease other, already available, unbundled network elements or, if it did not approve of the existing network configuration, it would have to construct other facilities.

However, MCI does not address specifically where MCI would want to lease BA's dark fiber, how much of the available dark fiber it would want, or for what time period it would want the lease to run.

BA placed the extra fiber because it was economically advantageous to do so, and in anticipation of using it to meet future customer requirements. In fact, BA continues to be required to satisfy increased service demands from existing and new customers, and to provide that new service (and all other service) at quality levels that at least meet New Jersey's service standards. Because of the breadth and lack of specificity of MCI's request, it is possible that approving it could impair BA's ability to meet its service obligations. Furthermore, if new service requirements

did arise, there is no reason to assume that MCI would meet them instead of BA, either by using the fiber leased from BA or with MCI-owned network facilities.

With regard to unbundling of the loop at the FDI, BA has raised legitimate technical concerns and has agreed to work with other carriers to test the feasibility of unbundling at this point. It appears to be premature to order the unbundling of this element now.

7(a) - The position of MCI on dark fiber is that it has been offered by BA in the past, that BA acknowledges that it is technically feasible and that, like before, BA should offer it again and failure to do that will make it inconsistent with the Act. BA's position is that dark fiber should not be made available.

AWARD

I agree with BA and dark fiber should not be made available to local competing carriers.

7 (b) - MCI's position on this is that similar arguments apply to loop distribution. BA's position is that many tests are necessary and a building of a new feeder distribution interface or SAC box would be mandated before it is made available.

AWARD

I agree with BA's position here and would not make subloops available to any local competing carrier until the tests and new box are completed (which could take some time and which is ordered as soon as it is within BA's ability to do so.)

7 © - The AIN issue has been resolved by the parties.

ISSUE 8 - PRICING OF UNBUNDLED NETWORKS ELEMENTS

Issues 8 through 12 all concern the basis to be used to determine the pricing of unbundled network elements. At issue for arbitration is the determination of the rates to be charged by BA

for unbundled network elements that are used by other carriers. A significant aspect of the issue is whether the rates should be permanent or interim, pending some generic proceeding or litigation results. Another specific issue that must be decided is whether BA's NID should be unbundled beyond that required in the FCC's Order.

MCI's position is that prices for unbundled network elements should be set using the Hatfield model. The model develops its pricing by configuring a network that uses forward-looking costs (that reflect a modern technology and current BA wire center locations). The model uses both generic and state-specific data. Hatfield uses BA data from Armis reports, BA's specific data for switch locations, 1995 census data on population (census block groups), and BA's line total and minutes of use data. MCI's position is that Hatfield also considers New Jersey-specific demographics and terrain factors.[14]

MCI also contends that a model need not be totally state-specific, and points out that the FCC's proxies proposed by BA have multi-state facets. MCI believed that too much reliance on state specific data could "perpetuate inefficiencies."[15]

14 MCI Post Hearing Summary of Issues, p. 4.

15 MCI Post Hearing Summary of Issues, p. 4.

The loop rates proposed by BA are:

Rate Group	Rate
A	$16.82
B	$15.04
C	$12.51
D	$ 9.32

MCI's Hatfield model determined rates in six density groups as follows:

Density Group	Rate
1	$60.76
2	$23.90
3	$14.68
4	$12.50
5	$10.93
6	$ 9.45

Switch pricing includes the switch elements and the connections between the switches and the local loops. The line port is the connection between the main distribution frame and the switch. The trunk port is the connection from the local switch to the interoffice trunk. MCI uses the